Supreme Court, U.S.
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No. 01-1647

IN THE

Supreme Court of the United States

VULCAN ENGINEERING CO., INC.,
Petitioner,

v.

FATA ALUMINIUM, INC. AND FATA GROUP, S.p.A.
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

Whether a patent holder that granted its licensee the right "to have made" by a third party identified items that would otherwise have infringed the patent, in exchange for obtaining a contract to supply additional items to the licensee, retained the right to sue for infringement the third party that the licensee selected to make the items identified in the license as subject to the "have made" rights.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, respondents FATA Aluminium, Inc. and FATA Group, S.p.A., state the following:

FATA Aluminium, Inc. is a wholly owned subsidiary of FATA Engineering and Contracting, S.R.L., an Italian corporation, which in turn is owned and controlled by FATA Group, S.p.A., the shares of which are not publicly traded.

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BRIEF FOR RESPONDENTS IN OPPOSITION

STATEMENT

A. A Few Fundamentals of Patent Law

Article I, Section 8, clause 8 of the Constitution grants to Congress the power to secure to inventors, for a limited time, the exclusive rights to their discoveries. Exercising that power, Congress adopted the Patent Act, 35 U.S.C. § 101 *et*

seq., which prescribes the procedures under which patent applicants may seek evidence of their "exclusive rights." The evidence is provided in the form of a "Patent" -- an open ("patent") document issued by the Patent and Trademark Office that describes the discovery and the best mode of its use.

The issued patent does no more or less that give its grantee -- the " patentee" -- an opportunity to exercise the exclusive rights inherent in a "patent." It does not guarantee that the patentee can or will derive any reward or recognition for the disclosure of the invention in the published document. But the patentee is entitled to seek to exploit its exclusive rights. It may use the discovery itself for the entirety of the limited term of the patent -- or decline to do so.

The patentee may also grant another person or entity the right to use the discovery. This grant is usually embodied in an agreement called a "license." In its basic form, a "license" can be the equivalent of a "release" or "waiver," in that it may express the simple commitment of the patentee-licensor to refrain from using its statutory rights to exclude the licensee from using (that is, "infringing") the patent. The consideration for this license or release may be a single payment or, most usually, a series of payments based on the actual use of the patent by the licensee, generally described as a "royalty." However, the more usual license agreement is longer and more complex than a mere release, including other types of commitments covering such matters as a description of the "royalty base" within the contours of which royalties will be due, reciprocal obligations to disclose or make available improvements to the patented product or process, responsibilities for protecting the licensee against unlicensed competitors or against third party claims of infringement and similar business issues such as termination rights. But aside from issues related to the use of license agreements to contravene federal antitrust law or to conceal

improper behavior of the patentee before the Patent and Trademark Office in securing a patent, a license is a commercial contract and, as such, is construed under applicable state law like any other contract. Generally, no "federal question" is involved in the construction of such an agreement.

Federal law does define the concept of "infringement." The term is defined in 35 U.S.C. § 271(a), which was amended in 1994 to embrace an "offer to sell" an infringing product. Petitioner asserts that this case involves an interpretation of this statutory change. That assertion forms the basis for petitioner's contention that this case raises an important federal question that warrants this Court's review, but in fact this case does not implicate any question of interpreting the "offer to sell" provision. This case concerns a short license agreement. Its terms are clear; its meaning is unambiguous. It expressed the patentee's commitment to refrain from asserting its patent in exchange for the licensee's agreement to buy equipment from the patentee.

B. Factual Background and the Decisions Below

1. In 1997, petitioner Vulcan Engineering Co. ("Vulcan") and respondents FATA Aluminium, Inc. and FATA Group, S.p.A. (collectively, "FATA") submitted competing bids to supply automobile engine block and cylinder head metal casting lines for General Motors Corporation's Power Train Division at Saginaw, Michigan. FATA underbid Vulcan for part of the project, and GM awarded a part of the project to FATA. Vulcan then asserted to GM that the only way FATA could meet the technical specifications of GM's bid proposal was to infringe Vulcan's patent (U.S. Patent No. 4,736,787 – the "Vulcan patent"). Nevertheless, GM agreed to buy five lines from FATA.

The Vulcan patent covers a continuously-linked system for molding of metal parts, such as automobile engine blocks, using the "lost foam" process. The system is akin to a big

electric model railroad set with an oval track, on which all of the boxcars of the train are pulled around the track in a continuously-linked process. Each boxcar has a flask in it, into which a foam pattern is placed. Sand is dropped into each flask and forms a mold around each foam pattern. The molds are then filled with molten metal, which assumes the shape of the pattern and solidifies; the molten metal vaporizes the foam. The molds are unloaded when the cast metal parts in them have sufficiently cooled.

After FATA had delivered the first line to GM, Vulcan sued FATA for patent infringement under the Vulcan patent. FATA asserted various defenses, including that Vulcan's patent was invalid because the alleged invention was obvious under 35 U.S.C. § 103 and, therefore, lacked enough technical merit to justify a patent monopoly.

2. The District Court resolved the issues in the case in a series of decisions. First, the court found FATA liable to Vulcan for patent infringement, rejecting, among other contentions, FATA's argument that Vulcan's patent was obvious in light of the prior art. Pet. App. 72a-128a. After the District Court's decision on validity and infringement, Vulcan entered into the license agreement with GM (Def. Exh. 450, a copy of which is attached as Appendix A). This agreement specifically granted GM the right to have FATA make and deliver to GM lines 2 through 5, in exchange for GM's promises (1) to refrain from buying lines 6 through 9 from FATA, and (2) to agree to buy those lines from Vulcan. App. A, 2a-3a. The contract also included a clause under which Vulcan sought to reserve a claim against FATA with respect to the first line delivered to GM and also "any claim Vulcan may have against FATA for Vulcan failing to obtain the business of supplying the five casting lines." *Id.* at 3a.

In the damages phase of the case, the District Court awarded damages to Vulcan of about $2.5 million based on its lost sale of line 1 of the five lines FATA delivered. It

denied Vulcan any monetary recovery for FATA's delivery of lines 2 through 5, holding that these were delivered under the "have made" license granted to GM. Pet. App. 43a-59a.

The Federal Circuit affirmed, with one judge dissenting on the issue of the right of Vulcan to recover damages for lines 2 through 5. Pet. App. 1a-31a. The majority found Vulcan was not entitled to damages for lines 2 through 5 in light of the license granted to GM to have these lines made by FATA. *Id.* at 18a-19a. The majority explained that "Vulcan's grant of an express license 'to have [lines 2-5] made by FATA' is not consistent with the assertion of damages against FATA for infringement by lines 2 through 5." *Id.* at 19a. The court of appeals remanded the case to the District Court for further proceedings on the damages Vulcan could recover for the previously delivered line 1. *Id.* at 16a-18a, 23a. The dissenting judge stated that the reasoning of the District Court (and his brethren) "does not persuade me" because "the license agreement was between GM and Vulcan, not Vulcan and Fata." *Id.* at 28a.

In sum, both courts simply held that petitioner had voluntarily granted a license to GM that expressly permitted GM to have FATA make the lines 2 through 5 -- and petitioner would be held to the bargain it made. That holding presents no issues warranting review by this Court.

ARGUMENT

The petition seeks to reargue the factbound issue regarding the effect on damages of Vulcan's license agreement with GM that was resolved against Vulcan by both the District Court and the Court of Appeals. The petition raises no issue requiring this Court's attention or, in fact, any question under federal law. In essence, petitioner objects to the construction of a contract that it drafted and that the District Court construed in a decision affirmed by the Court of Appeals. The District Court held that petitioner's position on damages

in light of the license agreement amounted to double dipping that would provide the patentee with a "windfall." Pet. App. 44a. A majority of the Court of Appeals agreed. Notwithstanding petitioner's efforts to transform this narrow issue of contract construction into a question of federal law, the petition raises nothing more than a routine question of contract construction.

A. The Courts Below Properly Interpreted the License Agreement

1. The Text of the Agreement with GM

The text of the license agreement belies petitioner's contention that FATA infringed the patent when it supplied lines 2-5 to GM. The Agreement, entered into on July 28, 1999, provided, inter alia, that Vulcan, the patentee, and GM, the licensee,

-- sought to resolve issues regarding the supply to GM of a single then-existing line for casting facilities as well as the delivery of four additional lines GM had agreed to buy from FATA;

-- were aware of the holding of the District Court that FATA's delivery of the existing line infringed the Vulcan patent;

-- recognized FATA's stated unwillingness to make and sell to GM the four additional lines "without a license from Vulcan";

-- granted GM "a limited license to have made by FATA . . . the four remaining casting lines . . . [and] specifically authorizes FATA to supply to and install these four remaining casting lines . . . at the GM Saginaw facility; and

-- awarded to Vulcan the business of supplying four further casting lines at a different GM plant.

App. A, 1a-3a. The Agreement also included in paragraph 4 a statement that the Agreement did not constitute a waiver or release of certain claims Vulcan had against FATA. *Id.* at 3a. But, of course, FATA was not a party to that Agreement. Nevertheless, GM, exercising the rights granted to it under the Agreement, agreed to accept delivery of the remaining four lines from FATA.

The holdings below fully comported with the text of the agreement: The GM-Vulcan agreement constitutes a valid license, pursuant to which GM had rights to have lines 2 through 5 made for it by FATA. Vulcan agreed to these terms and received as consideration a termination of GM's pre-existing agreement with FATA under which FATA could deliver all nine of the casting lines GM sought; and the agreement of GM to acquire lines 6 through 9 from Vulcan at the admittedly higher price Vulcan charged for lines that were not superior to those FATA had agreed to deliver. The courts below did not permit Vulcan to take away with its left hand (by seeking royalties from FATA) what it had given with its right (by granting a license to GM expressly allowing GM to make the infringing lines made by FATA). Their straightforward construction of a simple agreement is correct as a matter of law and requires no further review by this Court.

2. A Patent License Agreement Is a Contract

Vulcan argues that the patent license involved here is different from other commercial agreements, because patent rights are protected against infringement, and patent holders are entitled to full compensation for infringement. Pet. 14-15. However, it is well settled that a patent license agreement essentially is nothing more than a commercial contract between private parties. In *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979), this Court explained:

> Commercial agreements traditionally are the domain of state law. State law is not displaced

> merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law.

See also Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc., 871 F.2d 1082 (Fed. Cir. 1989) (a patent license agreement is a contract governed by ordinary principles of state contract law); *General Eng'g Corp. v. Martin Marietta Alumina, Inc.*, 783 F.2d 352, 356 (3d Cir. 1986) (construction of contracts is usually a matter of state, not federal, common law); *Pfizer, Inc. v. Elan Pharm. Research Corp.*, 812 F. Supp 1352, 1359 (D. Del. 1993) (the general rules of construction for contracts are applicable to the construction of patent licenses).

In *Aronson*, the inventor designed a novel keychain and applied for a patent. While the patent application was pending, the defendant entered into a license agreement with the plaintiff relating to her design. The agreement provided that the plaintiff-licensee would pay royalties of 5% of gross sales for use of the defendant's design. In the event that a patent was not obtained within five years, the royalty was to be reduced to 2 1/2% of gross sales. After the patent application was rejected, the plaintiff sought a declaratory judgment that the royalty agreement was unenforceable. 440 U.S. at 259-60.

This Court held that the agreement was not in conflict with federal patent law and was therefore valid and enforceable. The Court reasoned that the parties anticipated the risk that the patent would not issue, and specifically provided for this risk in the agreement. As consideration, the licensee received the benefit of the inventor's new design immediately upon entering into the agreement, and was able to exploit the novelty of the device. The contract, the Court found, encouraged the federal interest in full disclosure of

inventions or innovations. Therefore, the Court upheld the validity of the contract. The Court noted that the parties, in good faith, made a bargain in which they considered and specifically provided for the risk of the patent application's failure. *Id.* at 264-65.

In the case at hand, as in *Aronson*, the parties have contracted out of the provisions of the patent law. In *Aronson*, the licensee accepted the risk that a patent would not issue and that it would be required to pay royalties on an unpatented product. In Vulcan's case, Vulcan chose to forego the possibility of infringement royalties from FATA to ensure that it would retain GM as a customer in the future. Vulcan granted a license to GM, permitting FATA to make lines 2 through 5, in a valid contract negotiated at arm's length. No federal policy regarding patent law stands in the way of this valid and enforceable contract, in which Vulcan negotiated its right to infringement damages in exchange for business from GM.

3. The Vulcan/GM Agreement Acknowledges FATA's Unwillingness to Provide GM Lines 2 Through 5 Without a License and Provides a License to GM Allowing FATA to Make Lines 2 Through 5 for GM

Vulcan argues that its agreement with GM was intended only to release GM from liability for infringement and that, as a third party not a party to the contract, FATA has no rights under the contract. Pet. 13-14. However, the language of the contract between Vulcan and GM illustrates that a principal purpose was to induce FATA to provide lines 2 through 5 to GM despite the finding by the District Court that FATA had infringed Vulcan's patent. The contract indicates that FATA was *unwilling* to provide lines 2 through 5 without a license because of its liability for infringement. The relevant language of the contract states (App. A, 1a-2a):

> This Agreement . . . resolves issues that have arisen regarding the supply to GM of casting lines for its casting facilities in Saginaw Michigan . . . as a result of a lawsuit styled Vulcan Engineering Co., Inc. v. FATA Aluminium, Inc. and FATA Group . . . pending in the United States District Court for the Eastern District of Michigan . . . .
>
> Whereas, FATA will not ship to GM the remaining casting lines pending the resolution of the lawsuit;
>
> Whereas, FATA has not shipped the second casting line for the GM Saginaw, Michigan facility and has advised GM that it will not ship the second and subsequent casting lines for the Saginaw, Michigan facility without a license from Vulcan; . . .
>
> It is hereby agreed as follows: . . .
>
> 2. Vulcan hereby grants to GM a limited license to have made by FATA, use, sell and offer to sell or otherwise dispose of the four remaining casting lines to be supplied for the Saginaw facility by FATA. This license to GM specifically authorizes FATA to supply to and install these four remaining casting lines at the GM Saginaw facility . . . .

Clearly, at least one major purpose of the contract was to allay FATA's concerns about its liability for lines 2 through 5 arising from the lawsuit, by providing a license that would protect FATA from liability on lines 2 through 5 and, thus, induce it to provide those lines to GM. The agreement provided to GM "a limited license to have made by FATA, use, sell and offer to sell or otherwise dispose of the four remaining casting lines to be supplied for the Saginaw facility by FATA." This plain language states that GM's

license explicitly allows it to ask FATA to make lines 2 through 5. Moreover, the contract also states Vulcan is granting GM the license to induce FATA to ship the lines, because FATA refused to do so without a license. The only reasonable interpretation of the text is that FATA demanded protection from liability for itself before it would supply GM with lines 2 through 5, and the latter obtained Vulcan's assurance that this would be achieved.

Vulcan's attempt to characterize its agreement as a "release" from liability rather than a "license" with respect to lines 2 through 5 is simple semantics that does not change the substance of the agreement. The express language confers a limited license to GM to allow FATA to make lines 2 though 5. While it is true that Vulcan purported to reserve the right to hold FATA liable for its failure to obtain the business of lines 2 though 5, Vulcan cannot interfere with GM's legitimate use of its "have made" rights, as Vulcan received the consideration for its license that it bargained for. As the District Circuit found, Vulcan received a benefit from its agreement with GM in the form of the business of lines 6 through 9 and the maintenance of a smooth business relationship with GM. Pet. App. 43a. As the court explained, "[h]aving authorized Fata to supply and install lines 2 through 5, Vulcan cannot claim these acts constitute infringement and that it is entitled to damages as a consequence. Coupled with the General Motors business for lines 6 through 9 at Defiance, this would give Vulcan a windfall." *Id.* at 44a.

One of the principal aspects of Vulcan's argument is that it is entitled to full compensation for the infringement of lines 2 through 5, and it has not yet received it. The dissent in the Federal Circuit also opined that "one would hardly expect Vulcan to agree to a contract that would in turn forego its rights to receive the full amount of damages that otherwise seemed destined to come its way." *Id.* at 26a. It is true that

a patentee is entitled to be made whole for infringement, and that generally a license is implied by full compensation. However, as stated in *Deller's Walker on Patents* § 398 (2d ed. 1965), cited with approval in *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983), the recovery of a royalty bargained for by a licensee "operates as an implied license" to the party that sold or bought the otherwise infringing item.

In this case, Vulcan bargained away its right to infringement damages in exchange for GM's business. Vulcan could have refrained from entering into the agreement with GM and used its judgment in the lower court to seek damages for lines 2 through 5; instead it entered an agreement with GM to assure itself further GM business. While Vulcan argues that it has not been compensated for the infringement of lines 2 through 5, it received consideration in the agreement in the form of continued business from GM. It is ordinarily not the court's role to evaluate the adequacy of consideration agreed upon by the parties. *Fru-Con Constr. Corp. v. KFX, Inc.*, 153 F.3d 1150, 1159 (10th Cir. 1998) ("Although with hindsight Fru-Con's decision to enter into this agreement may have been a regrettable one, the policy of the law is to let parties weigh the benefits pro and con and leave them free to make whatever contract between themselves that they please. The general rule of freedom of contract includes the freedom to make a bad bargain."); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 462 (6th Cir. 2001); *Construction Interior Sys., Inc. v. Marriott Family Restaurants, Inc.*, 984 F.2d 749, 756 n.3 (6th Cir. 1993) (Once a party shows that consideration was given, the courts do not question the adequacy of consideration). Thus, if Vulcan received bargained for consideration in its contract with GM, it is bound by the terms of the contract.

4. Vulcan Cannot Grant a License Expressly Allowing GM to Have FATA Make Lines 2 Through 5 and Then Hold FATA Liable for Infringement on Lines 2 Through 5

Vulcan argues that the license it granted to GM is extremely limited, and that it serves to release only GM but not FATA from liability for lines 2 through 5 even as it authorizes GM to obtain the lines from FATA. However, the law on "have made" rights indicates that Vulcan's interpretation of the license is unreasonable. This Court has ruled that patent holders cannot interfere with the reasonable use of licenses. In *Aro Mfg. Co. v. Convertible Top Replacement Co.*, which the plaintiff cites for other purposes (Pet. 15), a plurality of this Court found that a patent holder cannot place restrictions on a licensee's legitimate use of a patented product. "When the patentee has sold the patented article or authorized its sale and has thus granted to the purchaser an 'implied license to use,' it is clear that he cannot thereafter restrict that use; . . ." 377 U.S. 476, 496-7 (1964) (plurality opinion).

In *Aro*, the patent holder, a manufacturer of convertible car tops, granted Ford Motor Company the right to make, sell, and use its patented convertible tops. *Id.* at 495. However, the patent holder attempted in the agreement to reserve the right of Ford to use replacement fabrics from other sources on the convertible tops it used and sold under the agreement. *Id.* at 495-6. The Court found that the patent holder could not restrict the right to repair, explaining that it had authorized the use of the structures, and could not restrict their use by imposing a condition that replacement parts be purchased only from a licensed supplier. *Id.* at 497.

In addition, it is now settled law that a patent holder cannot confer a license granting "have made" rights to a third party, and then hold the third-party maker liable for infringement. As the District Court opinion noted, Federal

Circuit precedent holds that a licensee is not liable for infringement if the licensee has another company make a patented item for it under the licensee's express "have made" rights. *Cyrix v. SGS-Thompson Microelectronics,* 77 F.3d 1381, 1383-4 (Fed. Cir. 1996). In *Cyrix*, an Intel licensee, ST, acted as a foundry for Cyrix-designed products. ST had a license from Intel to make microchips, which were used by ST in making Cyrix products. The ST-Intel license included a "have made" clause allowing ST to have another foundry make the patented chips for it, but prohibited sublicenses. *Id.* ST was unable to meet Cyrix's demand for chips, so it farmed out its work to an Italian affiliate. Once ST acquired the chips, ST resold the chips to Cyrix. *Id.* Intel argued that the arrangement constituted a sublicense arrangement, which was contrary to the language of the contract because the Italian affiliate was not a subsidiary of ST. *Id.* However, the court rejected Intel's arguments that the arrangement was an invalid sublicense, finding that ST's "have made" rights under the contract allowed it to have the microchips made by its Italian affiliate. *Id.* There is no reason for a different result here.

Similarly, in *Thorn EMI North America Inc. v. Hyundai Elec. Indus. Co.,* the court found that "a foundry commissioned by IBM to manufacture IHS products would have the protection of the license agreement . . . ." 1996 U.S. Dist. LEXIS 21170, *15 (D. Del. 1996). Citing *Cyrix* and Court of Claims precedent, the court held that the licensee's "have made" rights protected a third party manufacturer to the extent that it produced for the use or sale of the original licensee. *Id.* (citing *Carey v. United States*, 164 Ct. Cl. 304 (Ct. Cl. 1964)). *See also Intel Corp. v. Broadcom Corp.* 173 F. Supp. 2d 201, 233 (D. Del. 2001) ("The implied right to grant to the otherwise unlicensed third party the right 'to make' and 'to sell' the product for the licensed party (i.e. to act as a foundry) is an intrinsic part of that licensees 'have made' right").

B. The Doctrine of "Exhaustion" Prevents Vulcan from Asserting Its Patent Against FATA for Damages Other Than Those Awarded

1. The Doctrine of "Exhaustion" of Patent Rights Is Well Established in U.S. Patent Law

Under the doctrine of patent exhaustion, a patent owner's monopoly ends with the first sale or disposition by a patentee, or his licensee acting within the scope of the license, of an article embodying the invention of the patent. Thus, the patentee is entitled to a one-time payment for the rights he or she sells. As this Court has recognized (*United States v. Univis Lens Co.*, 316 U.S. 241, 251 (1942)):

> Our decisions have uniformly recognized that the purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward for the use of his invention by the sale of the article, and that once that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold.

In this case, Vulcan "sold" its right to royalties in lines 2 through 5 through its contract with GM, in which it received valuable consideration in the form of a promise of future GM business. Were Vulcan to obtain infringement damages against FATA for these same lines, it would, as the District Court and the Federal Circuit noted, receive a windfall.

The patent exhaustion doctrine "is a fundamental doctrine of patent law first enunciated by the Supreme Court nearly 120 years ago." *Cyrix Corp. v. Intel Corp.*, 846 F. Supp. 522, 538 (E.D. Tex. 1994), *aff'd without op.*, 42 F.3d 1411 (Fed. Cir. 1994) (citing *Adams v. Burke*, 84 U.S. (17 Wall) 453 (1873) ("[w]hen the patentee, or the person having his rights, sells a machine or instrument whose sole value is in

its use, he receives the consideration for its use and he parts with the right to restrict that use . . . the patentee or his assignee having in the act of sale received all the royalty or consideration which he claims for the use of his invention in that particular machine or instrument . . .").

The patent exhaustion doctrine applies to licenses as well as to outright sales. *United States v. Masonite Corp.*, 316 U.S. 265 (1942). Furthermore, it applies to the "sale" of all or only some of the patentee's rights. The Patent Act provides that Vulcan, as the patentee, could treat as an infringement of its patent another's unlicensed acts to make, use, offer to sell or sell the patented technology. 35 U.S.C. § 271(a) This Court has established that a patentee can sell or license those rights separately. *See E.W. Bliss Co. v. United States*, 253 U.S. 187, 192 (1920) (approving patent license to make and use, but not to sell, invention).

In this case, Vulcan has granted rights to GM for lines 2 though 5, explicitly allowing FATA to make those lines for GM. Vulcan received the consideration it bargained for, in the form of GM's business for lines 6 through 9. Any recovery by Vulcan of infringement damages for lines 2 through 5 would constitute double payment for sale of the same right, a result that the patent exhaustion doctrine was designed to prevent. *Cyrix*, 846 F. Supp. at 539 ("The purpose of the patent exhaustion doctrine [is] preventing patentees from extracting double recoveries for an invention . . . .").

2. The 1994 Amendments to 35 U.S.C. § 271(a) Are Irrelevant to This Case

The statutory definition of "infringement," 35 U.S.C. § 271(a), was amended effective January 1, 1995, by the addition of the term "offer to sale" to the activities that a patentee could regard as an infringement of its exclusive rights. The term was added to bring the U.S. statute into conformity with Article 28(1)(a) of the Agreement on Trade-

Related Aspects Of Intellectual Property Rights (TRIPS), one of the "Uruguay Round Agreements" ratified and made effective as of January 1, 1995. *See* 19 U.S.C. § 3511(a)(1), including the TRIPS described in Proc. No. 6780, 60 Fed. Reg. 15845 (Mar. 23, 1995). TRIPS includes "offering for sale" as an infringing activity. *See* "Administrative Action Statement" accompanying Pub. L. No. 103-469, *reprinted in* 1994 U.S. Code Cong. & Admin. News 4040, 4297.

But this case did not below, nor does it now, depend upon a distinction between FATA's "offer" to supply lines 2 through 5 or its "agreement" to do so. The agreement controlling FATA's liability clearly stated that GM could ask FATA to make on GM's behalf the four lines that were not yet then installed at GM's plant. GM used those rights to request delivery from FATA, and FATA complied. Nothing in the amended text of 35 U.S.C. § 271(a) bears on this fact. No party disputes that delivery of the four lines would have constituted infringement but for the license Vulcan voluntarily granted to GM. That license insulates the purchase from any claims of Vulcan, and assured GM the timely delivery of casting lines Vulcan was unable to assure.

To the extent Vulcan might have had a claim distinct from the delivery of lines 2-5, based on conduct occurring before entry of the license agreement, the District Court correctly ruled that it did not prove damages based on such a claim. Pet. App. 43a-45a, 59a. But Vulcan maintains that the courts below should have awarded damages as if the license never existed. Pet. 8–11. That contention is untenable. There is no reason for this Court to review the decision below that correctly refuses to allow Vulcan to escape the consequences of its license contract.

CONCLUSION

The petition for a writ of certiorari should be denied.*

Respectfully submitted,

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* Although this petition raises no issue warranting review by this Court, respondents note that the Federal Circuit's decision below does raise a distinct issue regarding the validity of Vulcan's patent that does warrants this Court's review. FATA's pending petition in No. 01-1791 from the judgment below raises an issue that is central to the patent system and that should be considered by this Court — namely, the correct understanding of the "non-obviousness" standard of Section 103 of the Patent Act.

APPENDIX

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APPENDIX A

AGREEMENT (VULCAN)

This Agreement entered into this 28th day of July 1999, by and between Vulcan Engineering Company ("Vulcan") and General Motors Corporation ("GM") resolves issues that have arisen regarding the supply to GM of casting lines for its casting facilities in Saginaw, Michigan and Defiance, Ohio as a result of a lawsuit styled Vulcan Engineering Co. Inc. v. FATA Aluminium Inc. and FATA Group S.p.A. ("FATA"), Case No. 98-74495 ("the lawsuit") pending in the United States District Court for the Eastern District of Michigan.

Whereas, GM awarded contracts to FATA to supply six casting lines, and expected to place orders for three additional casting lines, for GM facilities in GM's plants in Saginaw, Michigan and Defiance, Ohio;

Whereas, Vulcan was an unsuccessful bidder for supply of those casting lines;

Whereas, Vulcan is the owner of United States Patent No. 4,736,787 ("the Patent");

Whereas, FATA has supplied one casting line for the GM Saginaw, Michigan facility;

Whereas, in the lawsuit, the United States District Court for the Eastern District of Michigan has held the Patent valid and infringed by the FATA designed casting line supplied to the GM Saginaw, Michigan facility;

Whereas, FATA will not ship to GM the remaining casting lines pending the resolution of the lawsuit;

Whereas, FATA has not shipped the second casting line for the GM Saginaw, Michigan facility and has advised GM that it will not ship the second and subsequent casting lines for the Saginaw, Michigan facility without a license from Vulcan;

Whereas, FATA and Vulcan have both advised GM that they expect to ultimately prevail in the lawsuit, but any final resolution will occur too late to allow the timely supply of the casting lines for the GM Saginaw and Defiance facilities.

It is hereby agreed as follows:

1. Vulcan hereby irrevocably covenants not to sue GM for any claims of any kind or nature whatsoever relating to the Patent for GM's prior, present and future use, sale and offer to sell or other disposition of the casting line previously delivered by FATA for the GM Saginaw, Michigan facility.

2. Vulcan hereby grants to GM a limited license to have made by FATA, use, sell, and offer to sell or otherwise dispose of the four remaining casting lines to be supplied for the Saginaw facility by FATA. This license to GM specifically authorizes FATA to supply to and install these four remaining casting lines at the GM Saginaw facility.

3. GM awards to Vulcan the business of supplying the four casting lines for the Defiance, Ohio facility at the prices previously specified in the final Vulcan bid for those casting lines, subject to the standard terms and conditions in GM's Purchase Order. Provided, however, that if GM cancels any of the casting lines for Defiance awarded to Vulcan under this paragraph, it will pay a cancellation fee to Vulcan of $1.5 million for each cancelled casting line, plus any costs allowed under the GM Purchase Order standard terms and conditions. Alternatively, the cancellation fee for each casting line for the GM Defiance, Ohio facility shall be payable if GM Purchase Orders are not issued (i) by September 30, 1999, for the first casting line, (ii) by June 30, 2000, for the second casting line, (iii) by October 30, 2000 for the third casting line, and (iv) by December 31,

2000, for the fourth casting line; provided, however, that any such cancellation fee paid by GM shall be credited toward the purchase of the casting line if a Purchase Order for that casting line is issued within a reasonable time following the date on which such cancellation fee becomes payable. The Purchase Orders for each such casting line will provide for completion of the casting line within the normal build time of fifty two weeks for such casting lines.

4. This Agreement does not waive, release, compromise or discharge any claim that Vulcan may have against FATA with respect to the first casting line delivered by FATA to the GM Saginaw, Michigan facility or any claim Vulcan may have against FATA for Vulcan failing to obtain the business of supplying the five casting lines for the GM Saginaw facility.

5. In the event that Vulcan is ultimately successful in the lawsuit and obtains a recovery in whole or in part based upon the second through fifth casting lines for the GM Saginaw facility, Vulcan will pay to GM one half of such recovery, subject to a maximum payment to GM of $750,000 per casting line for each of those casting lines or a maximum total of $3 million for all of those casting lines. The purpose of any such payment by Vulcan is an agreed reimbursement of GM for approximately half of its increased costs for obtaining the casting lines for the Defiance facility from Vulcan.

Vulcan Engineering Company	General Motors Corporation
s/_____	s/_____
By: RICHARD J. HENDRICKS Vice President & Chief Financial Officer	By: LEE A. SCHUTZMAN